

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

CASE NO: 2008-00174

May 14, 2008

RECEIVED
MAY 15 2008
PUBLIC SERVICE
COMMISSION

Ms. Stephanie Stumbo, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Edmonson County Water District PSC Application

Dear Ms. Stumbo:

Enclosed please find the original and ten (10) copies of the Application of the Edmonson County Water District for an Order authorizing the issuance of securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest Bonds of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before May 29, 2008 (the date set for closing the securities).**

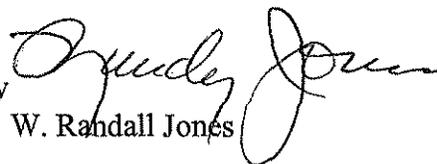
Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By

W. Randall Jones



WRJ:jl
Enclosures

cc: Mr. Nelson Sanders, Edmonson County Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED

MAY 15 2008

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF EDMONSON COUNTY)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$845,000 FOR THE PURPOSE OF REFUNDING)
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

CASE NO. 2008-00174

** *** **** ***** **** *** **

APPLICATION

The Applicant, Edmonson County Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$845,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Edmonson County, which Order is on file in the County Court Order Books in the office of the Clerk of Edmonson County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District

are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Edmonson County Water District
c/o Mr. Nelson Sanders, Manager
P.O. Box 208
Brownsville, Kentucky 42210
Telephone: (270) 597-2165

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2007 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$845,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the Edmonson County Water District Water System Revenue Bonds, Series 1996A, dated February 1, 1996, in the original principal amount of \$1,605,000 (the "Prior Bonds"). Said Prior Bonds are currently held in the open market.

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the District with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in total gross savings of approximately \$196,164.75. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan will be adjusted, based upon final interest rates which will be known on or about May 20, 2008, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

12. The District represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the

KRWFC Loan, the price paid, the fees and expenses incurred in the issuance of the KRWFC Loan, and the terms and interest rates of the KRWFC Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2007 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2007 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The KRWFC Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2007.

The financial data filed with this Application is for the twelve (12) month period ending December 31, 2007. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the KRWFC Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

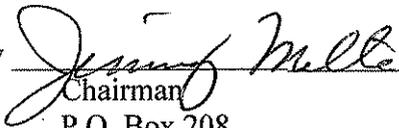
18. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

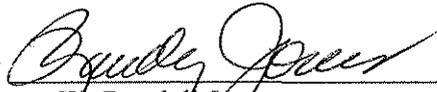
1. Authorize the issuance of the securities requested in the Application prior to the closing date of May 22⁹, 2008;
2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2007 Annual Report and 2007 Audit in lieu of more recent financial data, there being no material change in the data in 2008 and due to the volatility of the present bond market; and
3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any information requests by the Commission's staff.

Edmonson County Water District

By  _____
Chairman
P.O. Box 208
Brownsville, Kentucky 42210
Phone: (270) 597-2165
Fax: (270) 597-2166

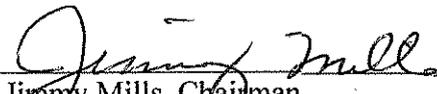
Rubin & Hays

By  _____
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Edmonson County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF EDMONSON)

The affiant, Jimmy Mills, being first duly sworn, states: That he is the Chairman of the Edmonson County Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

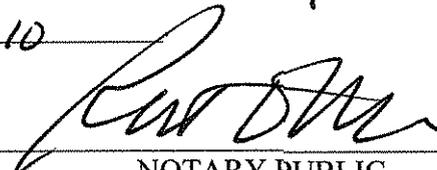
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 13 day of ~~April~~, 2008.
May



Jimmy Mills, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Jimmy Mills, Chairman of the Edmonson County Water District, on this the 13 day of ~~April~~, 2008.
May

My Commission expires: 2/11/2010



NOTARY PUBLIC

\$845,000
 Edmonson County Water District
 Proposed Refunding of Series 1996A through the
 Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/24/2008	-	-	-	-	-
07/01/2008	-	-	5,950.90	5,950.90	-
12/30/2008	-	-	-	-	5,950.90
01/01/2009	50,000.00	3.000%	15,987.50	65,987.50	-
07/01/2009	-	-	15,237.50	15,237.50	-
12/30/2009	-	-	-	-	81,225.00
01/01/2010	50,000.00	3.000%	15,237.50	65,237.50	-
07/01/2010	-	-	14,487.50	14,487.50	-
12/30/2010	-	-	-	-	79,725.00
01/01/2011	55,000.00	3.000%	14,487.50	69,487.50	-
07/01/2011	-	-	13,662.50	13,662.50	-
12/30/2011	-	-	-	-	83,150.00
01/01/2012	50,000.00	3.250%	13,662.50	63,662.50	-
07/01/2012	-	-	12,850.00	12,850.00	-
12/30/2012	-	-	-	-	76,512.50
01/01/2013	55,000.00	3.500%	12,850.00	67,850.00	-
07/01/2013	-	-	11,887.50	11,887.50	-
12/30/2013	-	-	-	-	79,737.50
01/01/2014	55,000.00	3.500%	11,887.50	66,887.50	-
07/01/2014	-	-	10,925.00	10,925.00	-
12/30/2014	-	-	-	-	77,812.50
01/01/2015	60,000.00	3.750%	10,925.00	70,925.00	-
07/01/2015	-	-	9,800.00	9,800.00	-
12/30/2015	-	-	-	-	80,725.00
01/01/2016	55,000.00	3.750%	9,800.00	64,800.00	-
07/01/2016	-	-	8,768.75	8,768.75	-
12/30/2016	-	-	-	-	73,568.75
01/01/2017	60,000.00	3.875%	8,768.75	68,768.75	-
07/01/2017	-	-	7,606.25	7,606.25	-
12/30/2017	-	-	-	-	76,375.00
01/01/2018	65,000.00	4.000%	7,606.25	72,606.25	-
07/01/2018	-	-	6,306.25	6,306.25	-
12/30/2018	-	-	-	-	78,912.50
01/01/2019	70,000.00	4.125%	6,306.25	76,306.25	-
07/01/2019	-	-	4,862.50	4,862.50	-
12/30/2019	-	-	-	-	81,168.75
01/01/2020	70,000.00	4.250%	4,862.50	74,862.50	-
07/01/2020	-	-	3,375.00	3,375.00	-
12/30/2020	-	-	-	-	78,237.50
01/01/2021	70,000.00	4.500%	3,375.00	73,375.00	-
07/01/2021	-	-	1,800.00	1,800.00	-
12/30/2021	-	-	-	-	75,175.00
01/01/2022	80,000.00	4.500%	1,800.00	81,800.00	-
12/30/2022	-	-	-	-	81,800.00
Total	\$845,000.00	-	\$265,075.90	\$1,110,075.90	-

Yield Statistics

Bond Year Dollars.....	\$6,544.76
Average Life.....	7.745 Years
Average Coupon.....	4.0501981%
Net Interest Cost (NIC).....	4.2361536%
True Interest Cost (TIC).....	4.2531475%
Bond Yield for Arbitrage Purposes.....	4.2875487%
All Inclusive Cost (AIC).....	4.6138880%

IRS Form 8038

Net Interest Cost.....	4.0608587%
Weighted Average Maturity.....	7.706 Years

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\$845,000

*Edmonson County Water District
Proposed Refunding of Series 1996A through the
Kentucky Rural Water Finance Corporation*

Sources & Uses

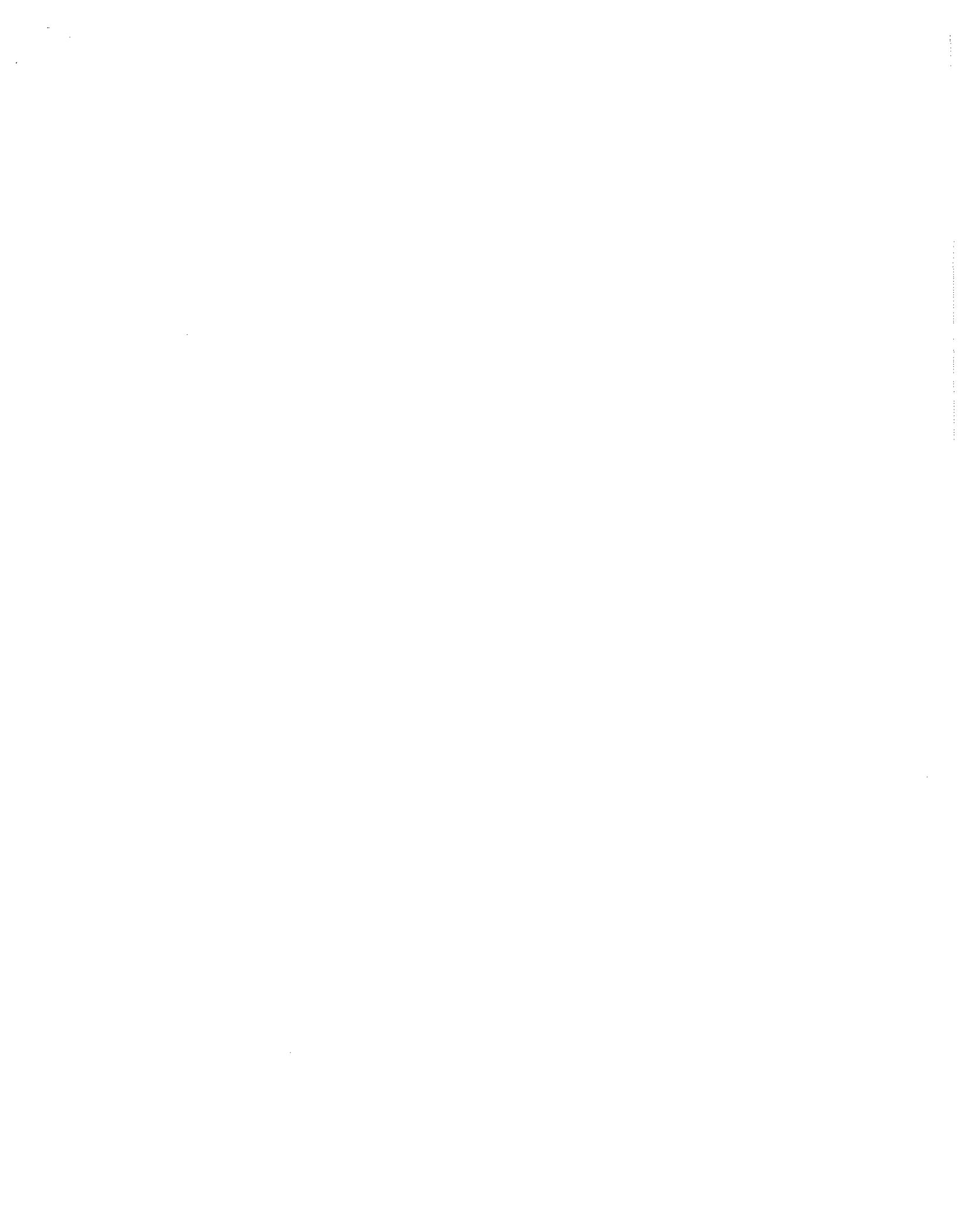
Dated 04/24/2008 | Delivered 04/24/2008

Sources Of Funds

Par Amount of Bonds.....	\$845,000.00
Reoffering Premium.....	504.65
Transfers from Prior Issue Debt Service Funds.....	25,063.75
Transfers from Prior Issue DSR Funds.....	135,453.00
Total Sources.....	\$1,006,021.40

Uses Of Funds

Total Underwriter's Discount (1.500%).....	12,675.00
Costs of Issuance.....	15,175.00
Deposit to Current Refunding Fund.....	975,274.49
Rounding Amount.....	2,896.91
Total Uses.....	\$1,006,021.40



\$845,000

*Edmonson County Water District
Proposed Refunding of Series 1996A through the
Kentucky Rural Water Finance Corporation*

Debt Service Comparison

Date	Total P+	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2008	5,950.90	-	5,950.90	25,127.50	19,176.60
12/30/2009	81,225.00	350.00	81,575.00	99,055.00	17,480.00
12/30/2010	79,725.00	350.00	80,075.00	96,630.00	16,555.00
12/30/2011	83,150.00	350.00	83,500.00	99,030.00	15,530.00
12/30/2012	76,512.50	350.00	76,862.50	96,183.75	19,321.25
12/30/2013	79,737.50	350.00	80,087.50	98,107.50	18,020.00
12/30/2014	77,812.50	350.00	78,162.50	94,897.50	16,735.00
12/30/2015	80,725.00	350.00	81,075.00	96,553.75	15,478.75
12/30/2016	73,568.75	350.00	73,918.75	93,076.25	19,157.50
12/30/2017	76,375.00	350.00	76,725.00	94,456.25	17,731.25
12/30/2018	78,912.50	350.00	79,262.50	95,559.38	16,296.88
12/30/2019	81,168.75	350.00	81,518.75	96,393.76	14,875.01
12/30/2020	78,237.50	350.00	78,587.50	96,959.38	18,371.88
12/30/2021	75,175.00	350.00	75,525.00	92,390.63	16,865.63
12/30/2022	81,800.00	350.00	82,150.00	97,553.13	15,403.13
Total	\$1,110,075.90	\$4,900.00	\$1,114,975.90	\$1,371,973.78	\$256,997.88

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings.....	256,997.88
Transfers from Prior Issue Debt Service Fund.....	(25,063.75)
Transfers from Prior Issue DSR Fund.....	(135,453.00)
Contingency or Rounding Amount.....	2,896.91
Net Benefit.....	\$99,378.04
Gross PV Debt Service Savings.....	196,164.75
Transfers from Prior Issue Debt Service Fund.....	(25,063.75)
Transfers from Prior Issue DSR Fund.....	(135,453.00)
Contingency or Rounding Amount.....	2,896.91
Net Present Value Benefit.....	\$38,544.91
Net PV Benefit / \$950,000 Refunded Principal.....	4.057%
Net PV Benefit / \$845,000 Refunding Principal.....	4.562%

Refunding Bond Information

Refunding Dated Date.....	4/24/2008
Refunding Delivery Date.....	4/24/2008

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\$995,000
 Edmonson County Water District
 Series 1996 A

Debt Service To Maturity And To Call

Date	Refunded Bonds	Premium	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
12/30/2008	950,000.00	9,500.00	15,774.49	975,274.49	-	-	25,127.50	25,127.50
12/30/2009	-	-	-	-	50,000.00	-	49,055.00	99,055.00
12/30/2010	-	-	-	-	50,000.00	-	46,630.00	96,630.00
12/30/2011	-	-	-	-	55,000.00	-	44,030.00	99,030.00
12/30/2012	-	-	-	-	55,000.00	-	41,183.75	96,183.75
12/30/2013	-	-	-	-	60,000.00	-	38,107.50	98,107.50
12/30/2014	-	-	-	-	60,000.00	-	34,897.50	94,897.50
12/30/2015	-	-	-	-	65,000.00	-	31,553.75	96,553.75
12/30/2016	-	-	-	-	65,000.00	-	28,076.25	93,076.25
12/30/2017	-	-	-	-	70,000.00	-	24,456.25	94,456.25
12/30/2018	-	-	-	-	75,000.00	-	20,559.38	95,559.38
12/30/2019	-	-	-	-	80,000.00	-	16,393.76	96,393.76
12/30/2020	-	-	-	-	85,000.00	-	11,959.38	96,959.38
12/30/2021	-	-	-	-	85,000.00	-	7,390.63	92,390.63
12/30/2022	-	-	-	-	95,000.00	5.375%	2,553.13	97,553.13
Total	\$950,000.00	\$9,500.00	\$15,774.49	\$975,274.49	\$950,000.00	-	\$421,973.78	\$1,371,973.78

Yield Statistics

Average Life.....	7.986 Years
Weighted Average Maturity (Par Basis).....	7.986 Years
Average Coupon.....	5.3540227%

Refunding Bond Information

Refunding Dated Date.....	4/24/2008
Refunding Delivery Date.....	4/24/2008

**Edmonson County Water District
Summary of Net Assets
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets:		
Total Current Assets	\$ 3,745,900	\$ 3,384,463
Net Capital Assets	22,163,858	20,230,070
Other Assets	207,155	202,756
Total Assets	<u>\$ 26,116,913</u>	<u>\$ 23,817,289</u>
Liabilities:		
Total Current Liabilities	\$ 1,898,698	\$ 532,103
Total Long-Term Liabilities	11,587,967	11,886,367
Total Liabilities	<u>\$ 13,486,665</u>	<u>\$ 12,418,470</u>
Nets Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 9,091,457	\$ 8,107,972
Restricted	2,334,322	1,779,414
Unrestricted	1,204,469	1,511,433
Total Net Assets	<u>\$ 12,630,248</u>	<u>\$ 11,398,819</u>

The net assets for the year ending December 31, 2007 showed an increase of \$1,231,429 or approximately 10.80 % from the previous year.

**Edmonson County Water District
Summary of Changes in Net Assets
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Total Operating Revenues	\$ 2,606,638	\$ 2,337,293
Total Operating Expenses	(2,081,845)	(1,953,629)
Operating Income	524,793	383,664
Total Nonoperating Revenues (Expenses)	(307,924)	(374,183)
Income (Loss) before Capital Contributions	216,869	9,481
Capital Contributions	1,014,560	285,192
Change in Net Assets	1,231,429	294,673
Net Assets, Beginning of Year	11,398,819	11,104,146
Net Assets, Ending of Year	<u>\$ 12,630,248</u>	<u>\$ 11,398,819</u>

The increase in net assets was primarily due to significant state grants and developer contributions.

CAPITAL ASSET CHANGE

Net capital assets for the year ending December 31, 2007, were \$22,163,858. The increase from the previous year was due to significant construction work in progress involving transmission line extensions and water treatment system upgrade.

DEBT ADMINISTRATION

Bonds and loans outstanding for the year ending December 31, 2007 were \$12,500,029. The net increase was \$499,829 from the previous year. Principal payments on bonds and loans amounted to \$293,400 for the year.

REQUEST FOR INFORMATION

This analysis is designed to provide a general overview of Edmonson County Water District's finances and to demonstrate Edmonson County Water District's accountability for the funds it receives whether from water sales or construction proceeds. If you have any questions about this report or need any additional information, please contact Edmonson County Water District at P. O. Box 208, Brownsville, Kentucky, 42210 or by telephone at (270) 597-2165.

**EDMONSON COUNTY WATER DISTRICT
BALANCE SHEET**

ASSETS

	DECEMBER 31,	
	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,209,247	\$ 1,350,003
Accounts Receivable - Note A	118,080	113,872
Material and Supplies Inventory	63,700	64,189
Prepaid Expenses	20,551	24,985
Restricted Cash and Cash Equivalents - Note B	2,334,322	1,831,414
Total Current Assets	3,745,900	3,384,463
 UTILITY PLANT - NOTE A		
Utility Plant in Service	29,009,399	28,538,166
Less Accumulated Depreciation	(8,906,471)	(8,324,911)
Net Utility Plant in Service	20,102,928	20,213,255
Construction in Progress	2,060,930	16,815
Net Utility Plant	22,163,858	20,230,070
 OTHER ASSETS		
Unamortized Debt Discount and Expense - Note A	207,155	202,756
 TOTAL ASSETS	 \$ 26,116,913	 \$ 23,817,289

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>DECEMBER 31,</u>	
	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt - Note C	\$ 105,833	\$ 100,833
Note Payable - Note C	793,229	-
Provision for Land Purchase - Note C	13,000	13,000
Accounts Payable	11,360	15,426
Contractors Payable	561,143	-
Customers Deposits	236,450	229,475
Compensated Absences - Note G	131,696	139,802
Accrued Interest	11,229	2,183
Accrued and Other Liabilities	34,758	31,384
	<u>1,898,698</u>	<u>532,103</u>
LONG-TERM LIABILITIES		
Long-Term Debt - Note C	11,561,967	11,847,367
Provision for Land Purchase	26,000	39,000
	<u>11,587,967</u>	<u>11,886,367</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	9,091,457	8,107,972
Restricted	2,334,322	1,779,414
Unrestricted	1,204,469	1,511,433
	<u>12,630,248</u>	<u>11,398,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 26,116,913</u></u>	<u><u>\$ 23,817,289</u></u>

**EDMONSON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
OPERATING REVENUES		
Water Sales	\$ 2,520,836	\$ 2,256,126
Consumers' Forfeited Discounts	54,225	49,971
Service Fees	31,577	31,196
Total Operating Revenues	2,606,638	2,337,293
OPERATING EXPENSES		
Water Treatment	445,232	435,715
Transmission and Distribution	411,030	337,828
Customer Accounts	303,850	277,095
General and Administrative	265,692	263,951
Depreciation	597,523	586,464
Taxes, Other Than Income	58,518	52,576
Total Operating Expenses	2,081,845	1,953,629
Net Income from Operations	524,793	383,664
NONOPERATING REVENUES (EXPENSES)		
Amortization	(9,153)	(9,153)
Interest Income	172,438	128,261
Interest Expense	(489,500)	(497,166)
Gain (Loss) on Disposition of Utility Plant	(515)	3,292
Nonutility Income	21,381	2,777
Miscellaneous Nonutility Expense	(2,575)	(2,194)
Total Nonoperating Revenues (Expense), Net	(307,924)	(374,183)
Income (Loss) Before Capital Contributions	216,869	9,481
CAPITAL CONTRIBUTIONS		
Tap Fees	90,138	84,400
Developer Contributions	204,079	200,792
Grants	720,343	-
Total Capital Contributions	1,014,560	285,192
Change in Net Assets	1,231,429	294,673
Net Assets, Beginning of Year	11,398,819	11,104,146
Net Assets, End of Year	\$ 12,630,248	\$ 11,398,819

The accompanying notes are an integral part of these financial statements.

**EDMONSON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	\$ 2,612,137	\$ 2,363,820
Cash Paid to Suppliers for Goods and Services	(867,151)	(819,961)
Cash Paid To Employees	(624,166)	(566,376)
Net Cash Provided by Operating Activities	1,120,820	977,483
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Income/Expenses	18,806	583
Net Cash Provided by Noncapital Financing Activities	18,806	583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of Utility Plant Assets	(1,889,994)	(182,459)
Note Proceeds	793,229	-
Proceeds from Sale of Utility Plant Assets	538	3,292
Principal Payments on Debt	(293,400)	(280,300)
Interest Payments Debt	(488,283)	(496,994)
Increase in Other Assets	(13,552)	-
Cash Contributed in Aid of Construction	221,207	78,131
Grants	720,343	-
Net Cash Used for Capital and Related Financing Activities	(949,912)	(878,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	172,438	128,261
Net Cash Provided from Investing Activities	172,438	128,261
Net Increase in Cash and Cash Equivalents	362,152	227,997
Cash and Cash Equivalents, Beginning of year	3,181,417	2,953,420
Cash and Cash Equivalents, End of Year	\$ 3,543,569	\$ 3,181,417

The accompanying notes are an integral part of these financial statements.

**EDMONSON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)**

	YEAR ENDED DECEMBER 31,	
	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM		
OPERATING ACTIVITIES		
Net Income from Operations	\$ 524,793	\$ 383,664
Adjustments to Reconcile Net Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	597,523	586,464
Changes in Assets and Liabilities		
Accounts Receivable	(4,208)	(205)
Inventory	489	(9,239)
Prepaid Expenses	4,434	2,832
Accounts Payable	(4,454)	5,563
Customer Deposits	6,975	5,275
Compensated Absences	(8,106)	(2,633)
Accrued Liabilities	3,374	5,762
	<u>\$ 1,120,820</u>	<u>\$ 977,483</u>
NON-CASH, CAPITAL AND FINANCING ACTIVITIES		
Capital Assets Acquired by Accounts Payable	\$ 569,360	\$ -
Receipt of Contributed Assets	73,010	207,062
	<u>\$ 642,370</u>	<u>\$ 207,062</u>

The accompanying notes are an integral part of these financial statements.

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION
BALANCE SHEET**

ASSETS

	DECEMBER 31,	
	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 62,744	\$ 53,156
Accounts Receivable - Note A	700	289
Restricted Cash and Cash Equivalents	1,255	305
Total Current Assets	64,699	53,750
 UTILITY PLANT - NOTE A		
Utility Plant in Service	1,617,049	1,617,049
Less Accumulated Depreciation	(54,497)	(18,166)
Net Utility Plant in Service	1,562,552	1,598,883
 OTHER ASSETS		
Unamortized Debt Discount and Expense - Note A	16,153	16,596
Utility Deposit	100	100
Total Other Assets	16,253	16,696
 TOTAL ASSETS	\$ 1,643,504	\$ 1,669,329

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	DECEMBER 31,	
	2007	2006
CURRENT LIABILITIES		
Accounts Payable	455	\$ 365
Other Liabilities	73	50
Total Current Liabilities	528	415
LONG-TERM LIABILITIES		
Long-Term Debt - Note C	98,900	100,000
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,463,652	1,498,883
Restricted	1,255	305
Unrestricted	79,169	69,726
Total Net Assets	1,544,076	1,568,914
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,643,504	 \$ 1,669,329

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
OPERATING REVENUES		
Sewer Sales	\$ 19,974	\$ 12,136
Consumers' Forfeited Discounts	288	146
Total Operating Revenues	20,262	12,282
OPERATING EXPENSES		
Labor and Expenses	6,050	3,191
Purchased Power	445	454
Maintenance	63	-
Administrative and General	504	214
Depreciation	36,331	18,166
Total Operating Expenses	43,393	22,025
Net Income (Loss) from Operations	(23,131)	(9,743)
NONOPERATING REVENUE (EXPENSES)		
Amortization	(443)	(221)
Interest Income	2,986	5,924
Interest Expense	(4,250)	(4,250)
Total Nonoperating Revenue	(1,707)	1,453
Income before Capital Contributions	(24,838)	(8,290)
CAPITAL CONTRIBUTIONS		
Grants	-	501,832
Total Capital Contributions	-	501,832
Change in Net Assets	(24,838)	493,542
Net Assets, Beginning of Year	1,568,914	1,075,372
Net Assets, End of Year	\$ 1,544,076	\$ 1,568,914

The accompanying notes are an integral part of these financial statements.

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION
STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	\$ 19,874	\$ 12,043
Cash Paid to Suppliers for Good and Services	(6,972)	(6,040)
Net Cash Provided from Operating Activities	12,902	6,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of Utility Plant Assets	-	(246,612)
Proceeds from Debt	(1,100)	-
Interest Payments on Debt	(4,250)	(4,250)
Payments on Utility Plant Payables and Accruals	-	(376,818)
Increase in Other Assets	-	(209)
Cash Contributed in Aid of Construction	-	501,832
Net Cash Provided (Used) for Capital and Related Financing Activities	(5,350)	(126,057)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	2,986	5,924
Net Cash Provided from Investing Activities	2,986	5,924
Net Increase (Decrease) in Cash and Cash Equivalents	10,538	(114,130)
Cash and Cash Equivalents, Beginning of Year	53,461	167,591
Cash and Cash Equivalents, End of Year	\$ 63,999	\$ 53,461
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Net Income (Loss) from Operations	\$ (23,131)	\$ (9,743)
Adjustments to Reconcile Net Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	36,331	18,166
Changes in Assets and Liabilities		
Accounts Receivable	(388)	(239)
Accounts Payable	90	(2,181)
Net Cash Provided by Operating Activities	\$ 12,902	\$ 6,003

The accompanying notes are an integral part of these financial statements.